

Message Text

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S/S - MR GAMMON

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C O N F I D E N T I A L STATE 248513

TOSEC 350

FOLLOWING REPEAT LONDON 14837 ACTION SECSTATE INFO BONN BRUSSELS
COPENHAGEN DUBLIN THE HAGUE LUXEMBOURG PARIS ROME EC BRUSSELS
OECD PARIS 17 DEC

QUOTE

C O N F I D E N T I A L LONDON 14837

E.O. 11652: GDS

TAGS: ENRG, UK

SUBJECT: ENERGY ACTION GROUP PROPOSAL: INITIAL

REACTION OF BRITISH MINISTER OF INDUSTRY

TOM BOARDMAN

1. IN LENGTHY CONVERSATION WITH UNDER SECRETARY
DONALDSON ON DECEMBER 13, MINISTER BOARDMAN EXPRESSED
INTEREST IN CONTENT AND SCENERIO FOR SECRETARY
KISSINGER'S PROPOSAL FOR AN ENERGY ACTION GROUP.

2. BOARDMAN WAS PARTICULARLY ATTRACTED TO IDEA OF
PROVIDING PRODUCER STATES WITH INCENTIVE SUCH AS
LONG-TERM CONTRACTUAL ARRANGEMENT FOR OIL AT REALISTIC
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MARKET PRICES ESTABLISHED AT OR SLIGHTLY ABOVE

PROSPECTIVE PRICE FOR OIL EXTRACTED FROM COAL, TAR SANDS OR SHALE. AT THE SAME TIME HE SPECULATED ABOUT PRODUCER STATE REACTIONS, WONDERING WHETHER SINCE ARABS HAD BEEN SO SUCCESSFUL IN STANDING TOGETHER THEY WILL AGREE TO RELINQUISH USE OF THEIR OIL WEAPON POWER. IN ANY EVENT, HE THOUGHT IT IMPORTANT CONSUMER GOVERNMENT CONSTRAINTS BE IMPOSED ON CRUDE PRICES THROUGH IMPORT CONTROL SYSTEM LEST \$16-\$17 A BARREL OIL BECOME NORMAL MARKET PRICE MEANWHILE.

3. BOARDMAN THOUGHT FORMATION OF SMALL CORE GROUP TO FORMULATE ACTION PROGRAM WAS DESIRABLE APPROACH BUT THAT CRUNCH QUESTION WOULD BE WAY IN WHICH EUROPE WOULD BE REPRESENTED. HE RECALLED DIFFICULTY EC HAD LAST MAY IN AGREEING ON EITHER COMMON ENERGY POLICY OR FULL MANDATE FOR SIMONET, NOTING ISSUE WOULD BE FOR FOREIGN OFFICE TO REFLECT ON.

4. BOARDMAN ALSO QUERIED WHETHER SECRETARY KISSINGER ALSO ENVISAGED SOME FORM OF INTERNATIONAL RATIONING OR SHARING OVER MEDIUM TERM INASMUCH AS U.S. PROGRAM AIMED AT ENERGY SELF-SUFFICIENCY CANNOT BE EXPECTED TO SHOW SUBSTANTIAL PROGRESS BEFORE 1980.

5. DEPARTMENT PLEASE PASS TO SECRETARY'S PARTY.

SOHM UNQUOTE RUSH

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